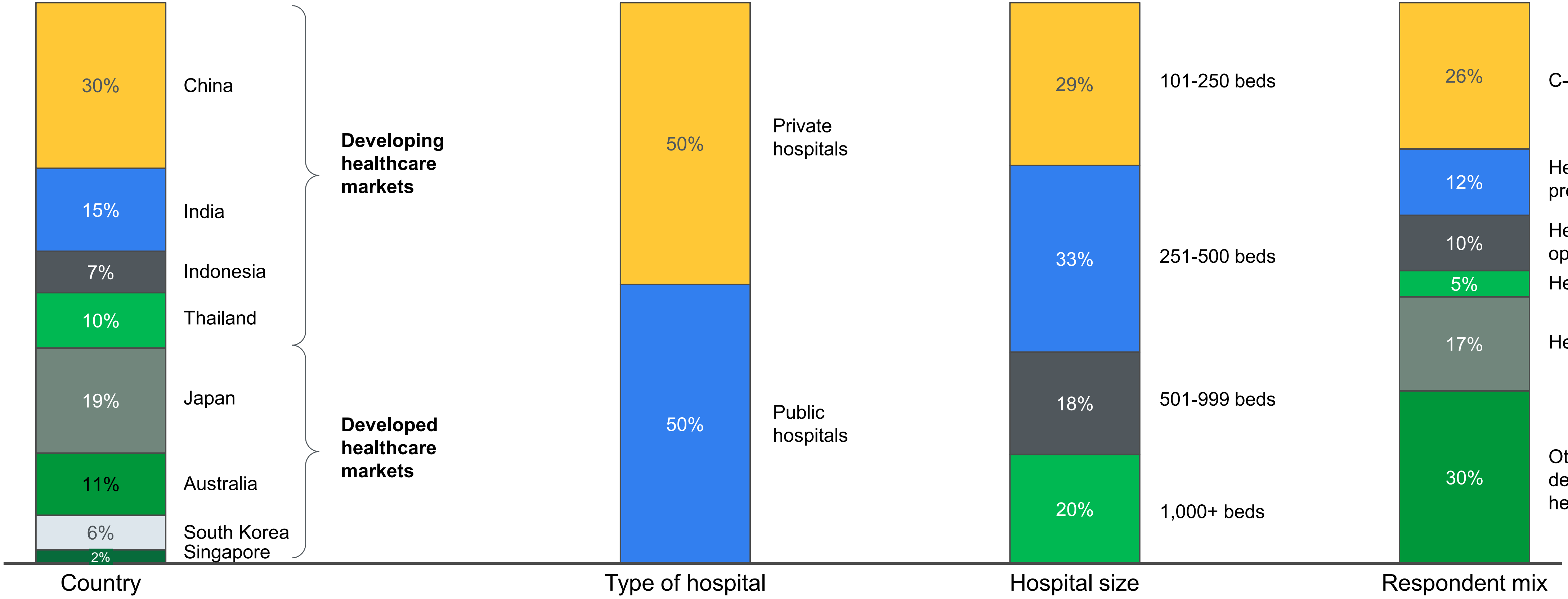
Asia-Pacific 2022 Hospital Priorities Survey: Strategic Implications for Healthcare Providers

April 2022

L.E.K. Consulting sponsors a unique analysis of hospital priorities in APAC; our third annual study engaged more than 400 hospital executives across public and private providers in eight key markets

L.E.K. Hospital Priorities Survey respondent mix
Percentage of respondents (N=406)



Note: APAC – Asia-Pacific
Source: L.E.K. 2022 APAC Hospital Priorities Survey conducted in November-December 2021

Compared to our last edition, hospitals across the region are in a better financial position, with priorities shifting from COVID-19 recovery to improving safety/operations; digital remains a top priority

Financial outlook

Although hospitals are currently facing financial challenges, both private and public hospitals indicate a paced recovery; most providers expect to deliver more elective procedures this year than before the pandemic

Strategic priorities

Priorities have shifted from implementing COVID-19 recovery measures towards operational and care enhancement strategies, with spending redirected to building physical and digital infrastructure

Digitalisation and innovation

In line with last year's edition, most hospitals are indicating a strong focus on digitalisation and innovation, focusing on various digital solutions to increase operational efficiency and patient satisfaction

Source: L.E.K. 2022 APAC Hospital Priorities Survey; L.E.K. research and analysis

Hospitals have been showing resilience with a positive trend towards full recovery; for most hospitals, elective surgeries are back to pre-pandemic levels with a strong outlook for 2022

Financial outlook

- Hospitals have been showing resilience, with 80%-90% of hospitals achieving a balanced budget or positive EBITDA margin, thus indicating recovery from COVID-19 impact since 2020, albeit slower for larger private hospitals
- Hospitals across the region are expecting a strong bounceback in revenue this year, with the number of elective procedures expected to exceed pre-pandemic levels
- However, to maintain/accelerate the pace of recovery, hospitals indicate a greater need for near-term funding to ensure business sustainability, together with a need to focus on reducing the cost of doing business

Source: L.E.K. 2022 APAC Hospital Priorities Survey; L.E.K. research and analysis

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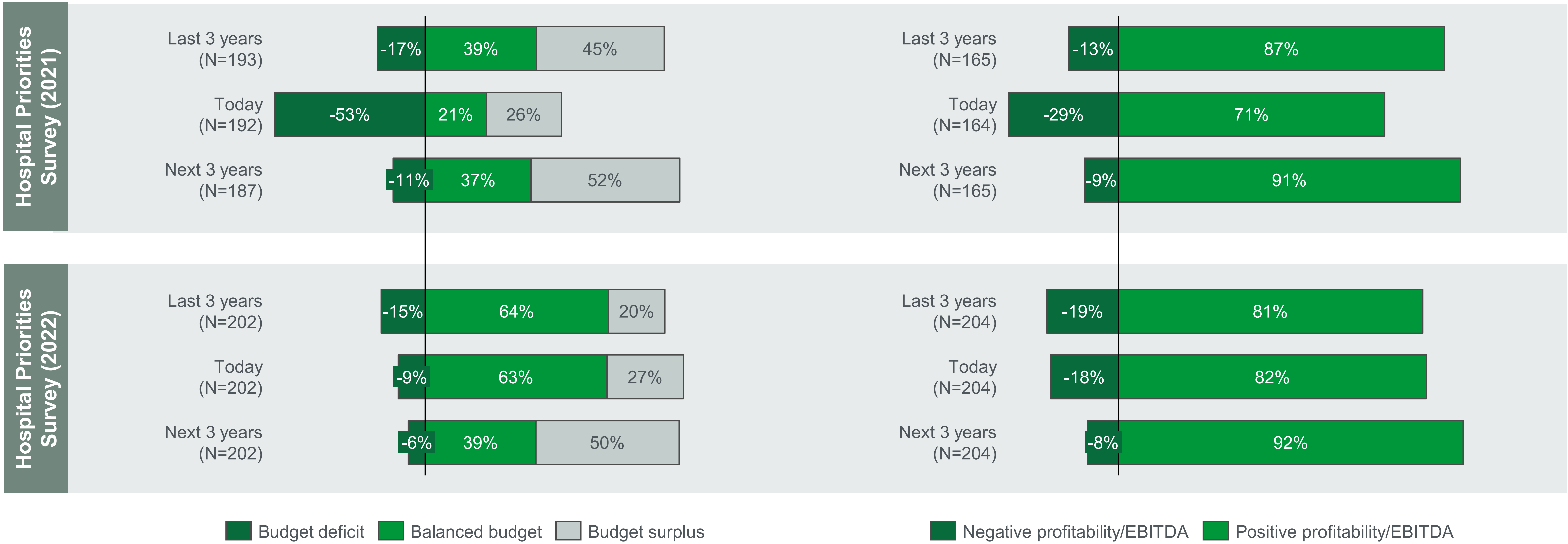
80%-90% of hospitals have achieved a balanced budget or positive EBITDA margin, indicating recovery from COVID-19 impact since 2020

1 Financial outlook

Public hospital budget outlook*
Percentage of respondents

Private hospital profitability/EBITDA**
Percentage of respondents



*Survey question: 'What is the level of budget surplus/deficit incurred by your hospital today?' Responses with 'I do not know/prefer not to disclose' have been excluded.
**Survey question: 'What is the EBITDA margin/profitability level of your hospital?' Responses with 'I do not know/prefer not to disclose' have been excluded.
Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

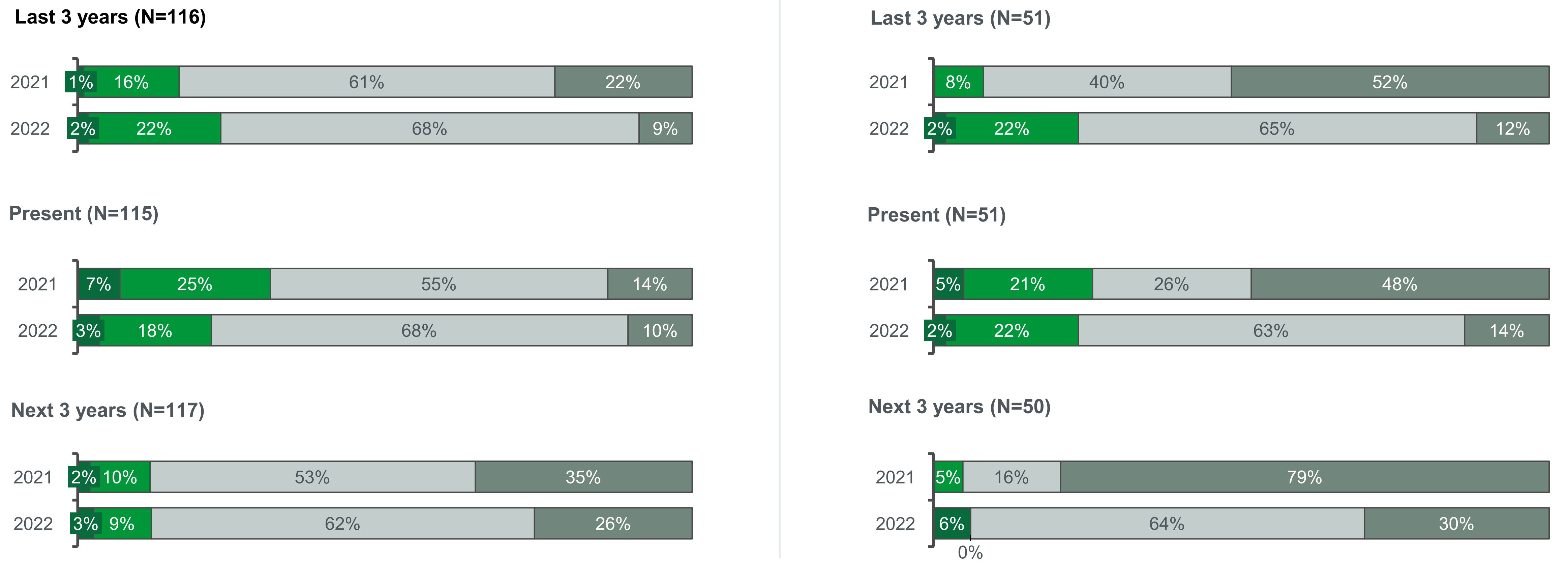
Although private hospitals have an optimistic budget outlook, ~20% of large private hospitals are currently facing budget deficits, indicating a slow recovery

1 Financial outlook

Private hospitals — profitability/EBITDA margin outlook

Medium-size private hospitals (≤500 beds) in APAC*
Percentage of respondents

Large-size private hospitals (>500 beds) in APAC*
Percentage of respondents



*Survey question: 'What is the EBITDA margin/profitability level of your hospital?' Responses with 'I do not know/prefer not to disclose' have been excluded.
Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

Public hospitals show better budget outlook in the near term in light of increased government funding; currently, less than 15% of medium-size or large hospitals are facing budget deficits

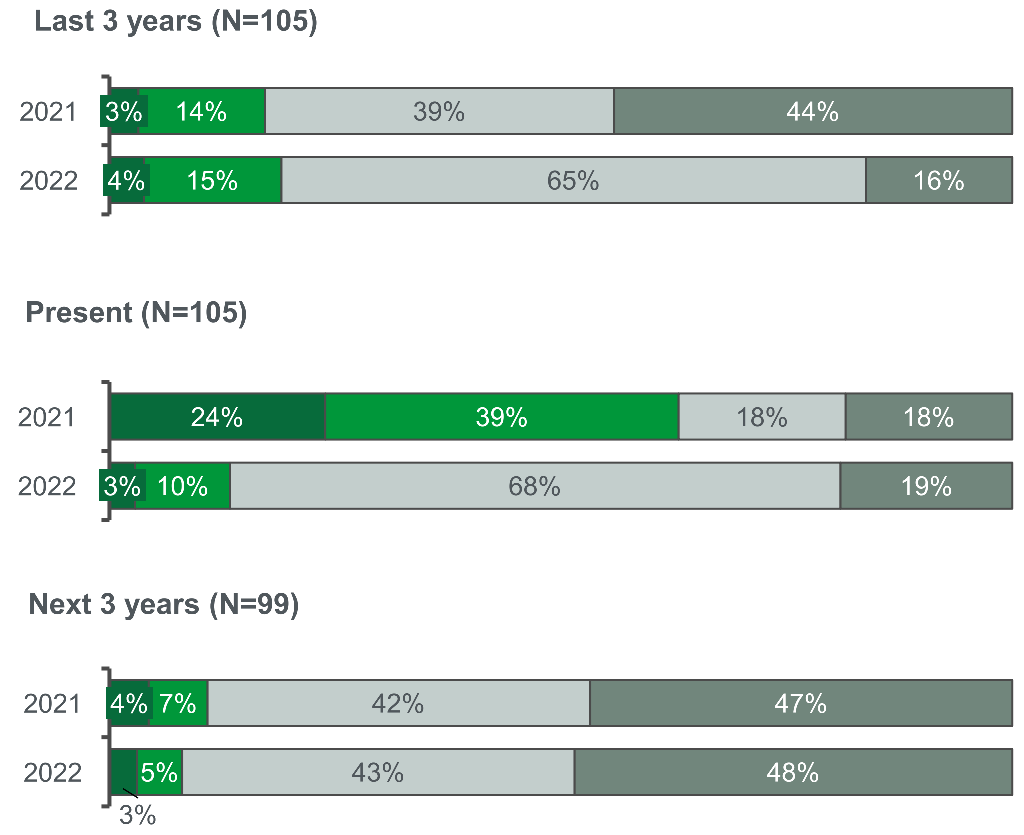
1 Financial outlook

Public hospitals — budget outlook

High budget deficit (>5%) | Low budget deficit (5% or less) | Balanced budget | Budget surplus

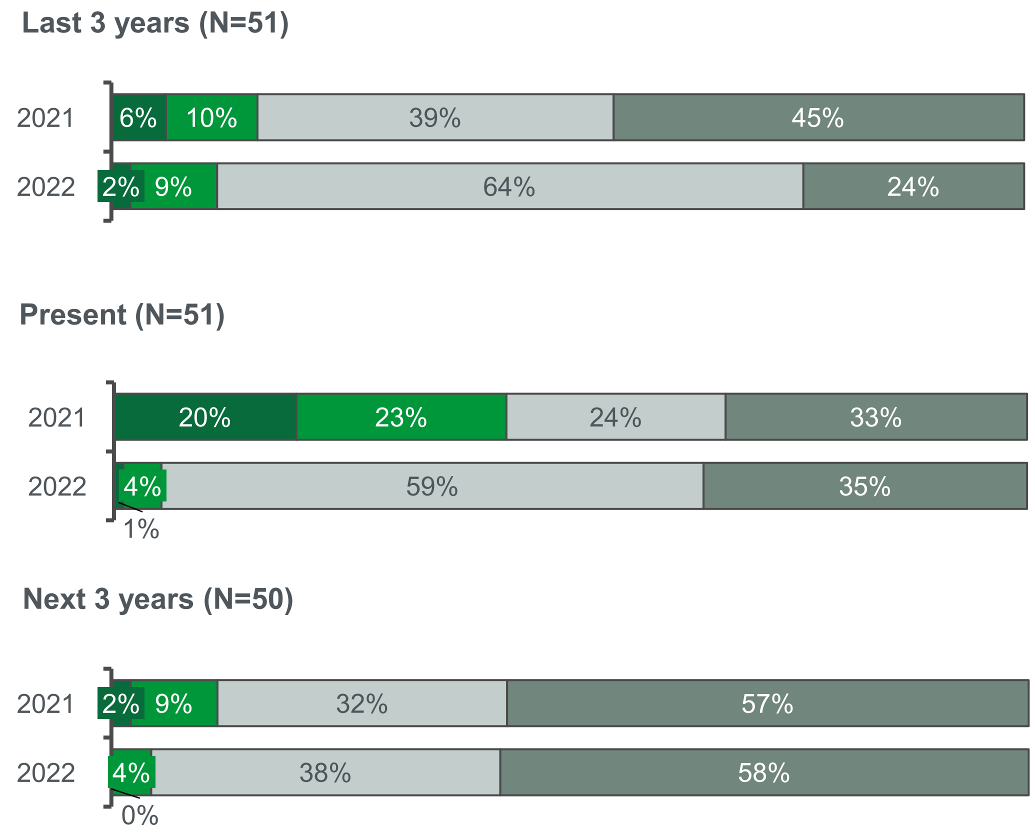
Medium-size public hospitals (≤500 beds) in APAC*

Percentage of respondents



Large-size public hospitals (>500 beds) in APAC*

Percentage of respondents



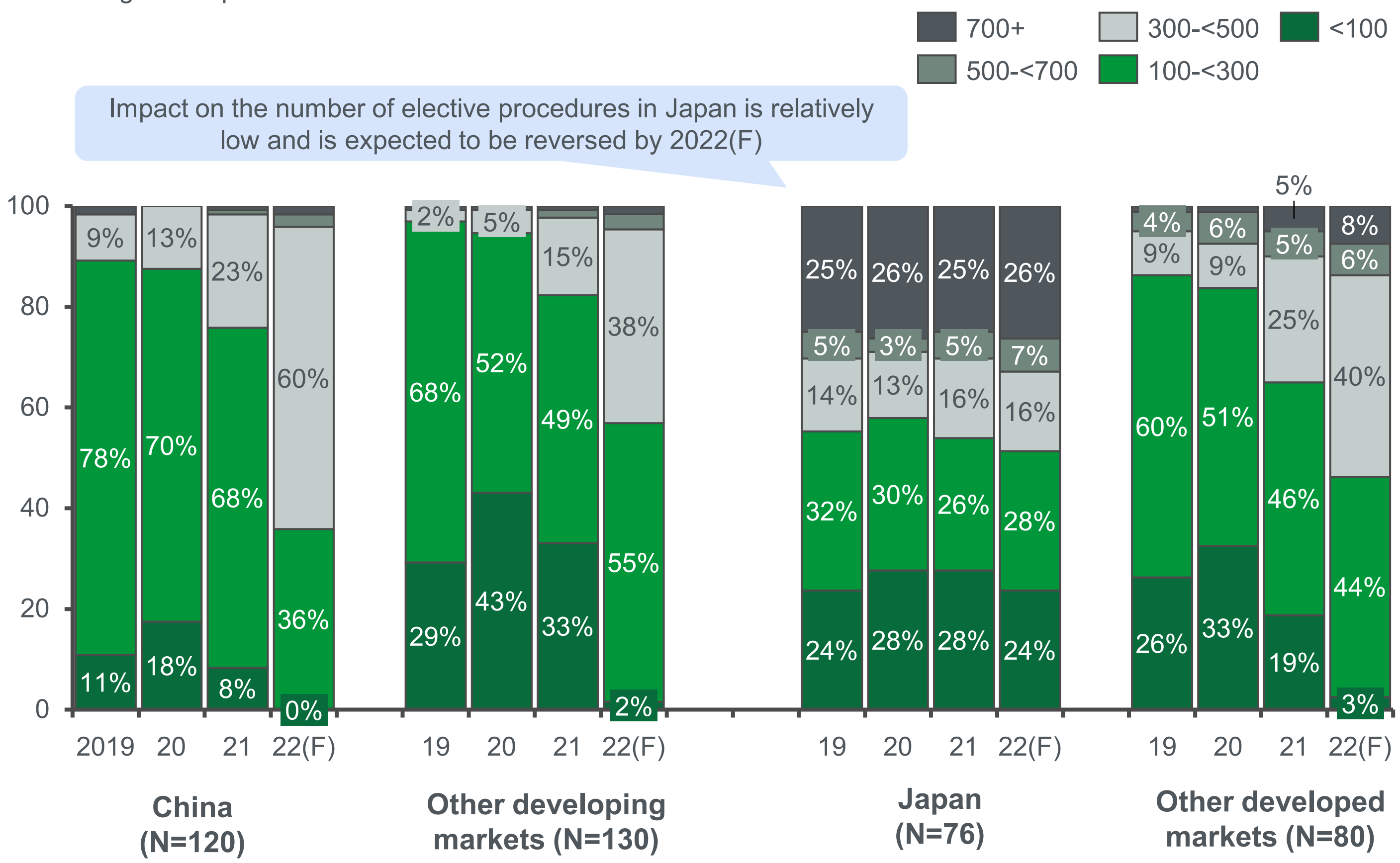
*Survey question: "What is the EBITDA margin/profitability level of your hospital?" Responses with 'I do not know/prefer not to disclose' have been excluded.

Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

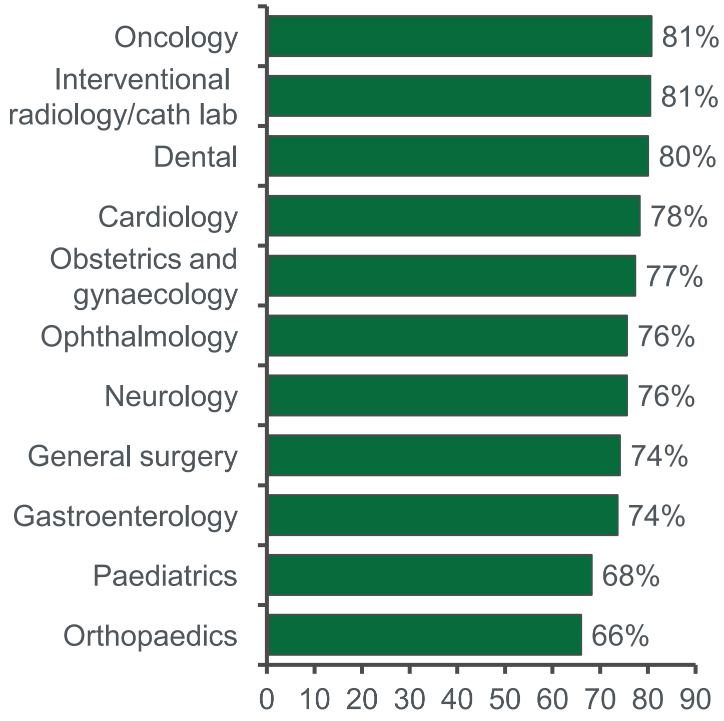
Across most APAC hospitals, elective procedure volumes have mostly returned to pre-pandemic levels, with growth expected over coming years

1 Financial outlook

Number of elective procedures per month performed/expected each year*
Percentage of respondents



Departments recovered to pre-COVID-19 levels of operations in terms of number of elective procedures*
Percentage of respondents

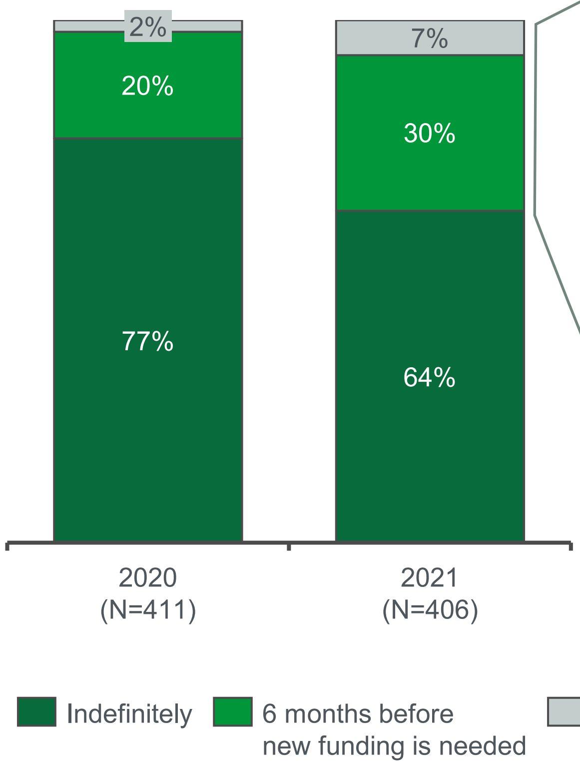


*Survey question: 'How many elective surgeries did your hospital perform/do you expect your hospital to perform over the following time period (monthly figures)?' Other developed markets include South Korea, Australia and Singapore. Other developing markets include India, Indonesia and Thailand.
Source: L.E.K. 2022 APAC Hospital Priorities Survey

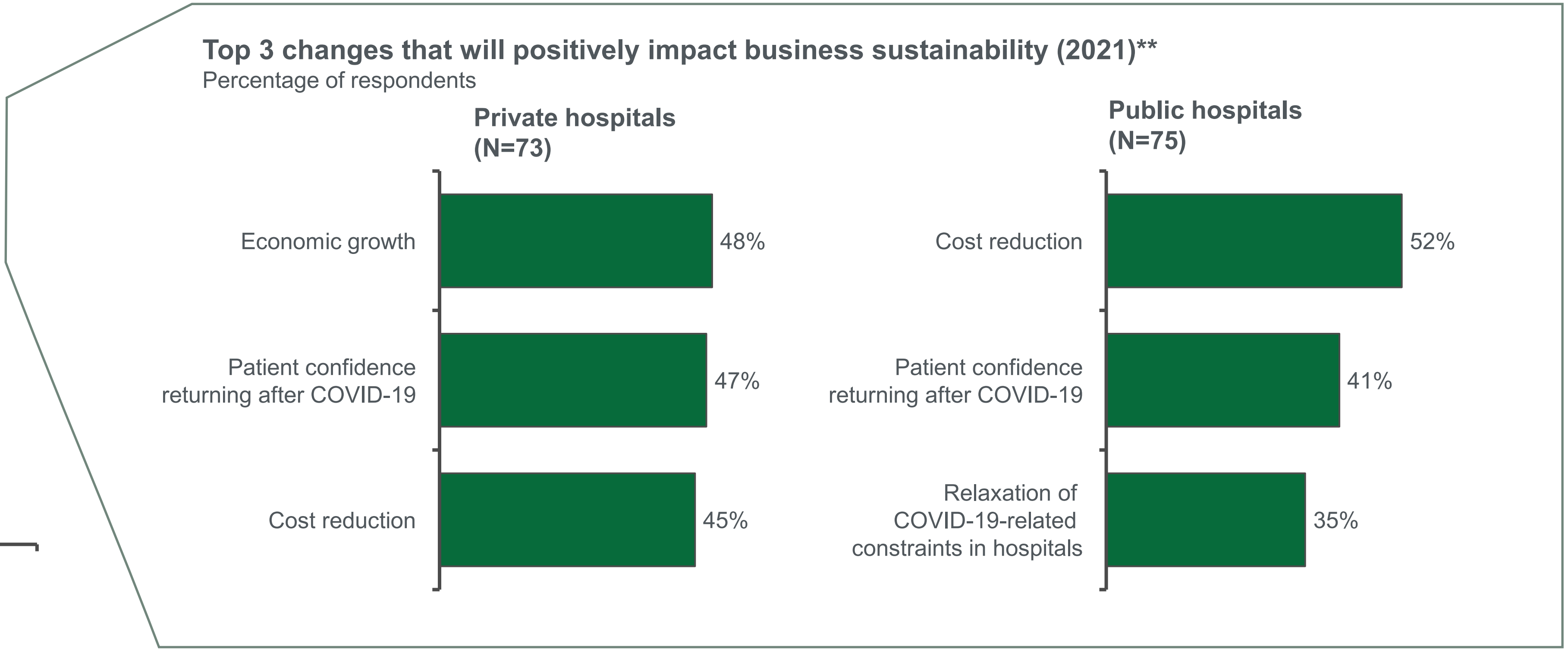
Compared to 2020, hospitals now show greater need for funding for business sustainability; economic growth and reduced cost can result in positive impact

1 Financial outlook

Business sustainability outlook*
Percentage of respondents



Top 3 changes that will positively impact business sustainability (2021)**
Percentage of respondents



*Survey question: 'At current rates of profitability, how long is the business sustainable for?'
**Survey question: 'What changes would have a positive impact on business sustainability?'(Asked only for respondents who indicated a need for funding to sustain business moving forward.)
Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

With a positive outlook, hospitals are focusing on operational and clinical improvements; hospitals are now focusing spend on infrastructure and therapeutics

Strategic priorities

- As hospitals recover from COVID-19 impact, priorities are shifting from implementing COVID-19 recovery measures such as emergency preparedness towards healthcare safety, operational and care enhancement strategies
- These translate to building physical and digital infrastructure and innovative drugs and therapies as the top spending priorities
- In line with the shift in strategies, care enhancement priorities are shifting from building free-standing outpatient centres outside of hospital settings to developing new facilities within hospitals for patient treatment

Source: L.E.K. 2022 APAC Hospital Priorities Survey; L.E.K. research and analysis

As market dynamics evolve, strategic priorities have shifted from COVID-19 recovery towards better healthcare worker safety, improved clinical outcomes and workflow optimisation

2 **Strategic priorities**

Strategic priorities over the next 3 years*

Percentage of respondents that chose "6" and "7" (1=not at all important, 7=very important)

Pandemic response | Care enhancement | Operational enhancement | Top 2 rank

Rank (2022)	Strategic priorities	Overall (N=406)	China (N=120)	Japan (N=76)	South Korea (N=25)	Australia (N=45)	Singapore (N=10)	India (N=60)	Thailand (N=40)	Indonesia (N=30)	Rank change (from 2021)
#1	Improving healthcare worker safety	**70%**	70%	**66%**	60%	**76%**	**80%**	**73%**	**68%**	**77%**	+2 ↑
#2	Improving clinical outcomes	**69%**	**76%**	49%	64%	67%	70%	**78%**	**73%**	**73%**	+2 ↑
#3	Improving labour efficiency/workflow optimisation	63%	58%	**59%**	56%	**69%**	**90%**	72%	60%	67%	+2 ↑
#4	Reducing acquisition costs of capital equipment	63%	63%	55%	52%	64%	70%	68%	65%	67%	+4 ↑
#5	Reducing costs of medical supplies	61%	63%	58%	**68%**	51%	**80%**	65%	53%	63%	+1 ↑
#6	Standardisation of clinical care protocol within and across hospitals	59%	**72%**	38%	56%	47%	50%	**73%**	55%	60%	+3 ↑
#7	Investing in digital health capabilities (e.g. telehealth, AI-assisted image analysis)	58%	66%	25%	**72%**	67%	60%	65%	**70%**	60%	+8 ↑
#8	Investing in new IT systems	58%	66%	36%	**72%**	60%	70%	65%	55%	60%	+6 ↑
#9	Recovering from financial impact of COVID-19 (e.g. hospitals unable to open due to high infection rate)	58%	58%	51%	52%	62%	**80%**	57%	63%	63%	-7 ↓

*Survey question: 'How important are the following strategic priorities for your hospital over the next 3 years? (Please rate the importance of each strategic priority on a scale of 1 to 7, where "1" means "not at all important" and "7" means "very important").'

Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

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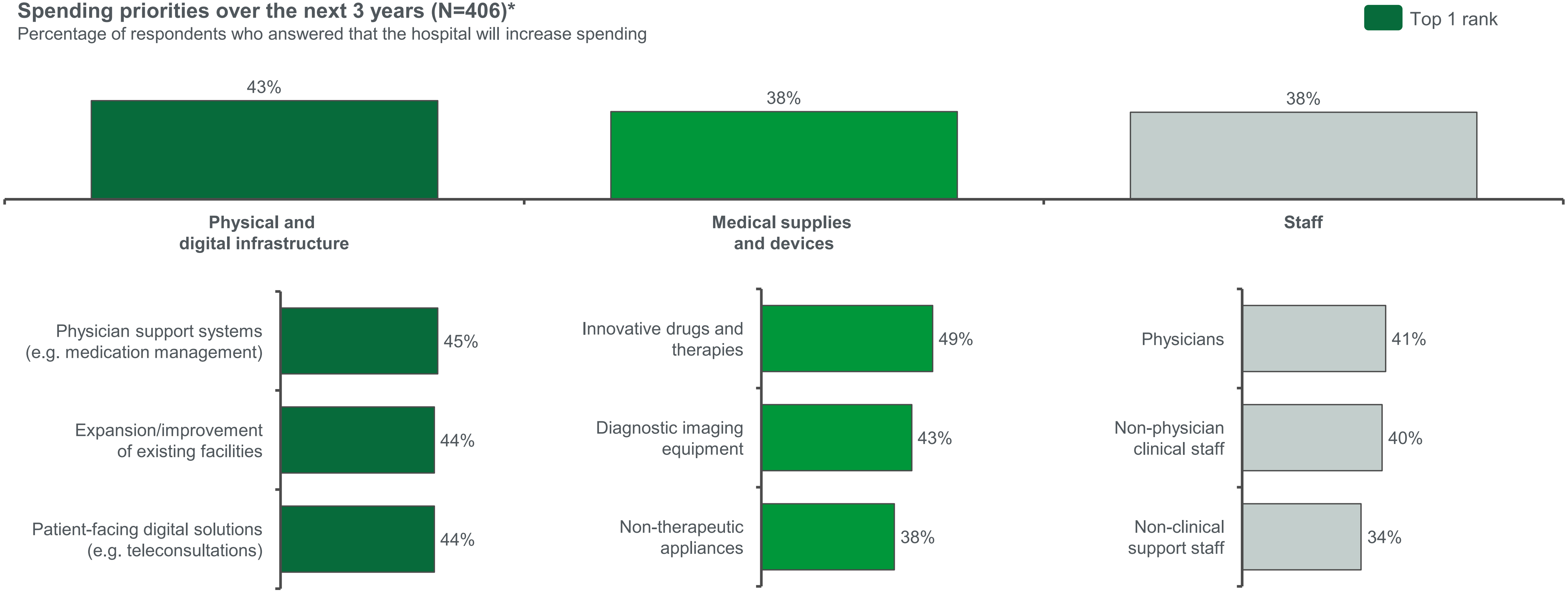
Over 40% of hospitals are expected to increase spending on physical and digital infrastructure; amongst medical supplies, spending on innovative drugs/therapy is expected to be the top priority

2 Strategic priorities

Spending priorities over the next 3 years (N=406)*
Percentage of respondents who answered that the hospital will increase spending



*Survey question: 'How do you expect your hospital's spending priorities on the following categories to change over the next 3 years?' Responses with 'I do not know' have been excluded; respondents who answered that the hospital will increase spending=respondents who chose '6' and '7' when the scale is 1=will definitely reduce spending and 7=will definitely increase spending; other spending priorities not in top 3, such as development of new facilities, implantable medical devices, surgical instruments, medical consumables, non-clinical supplies and clinical support appliances, have not been included in breakdown.

Source: L.E.K. 2022 APAC Hospital Priorities Survey

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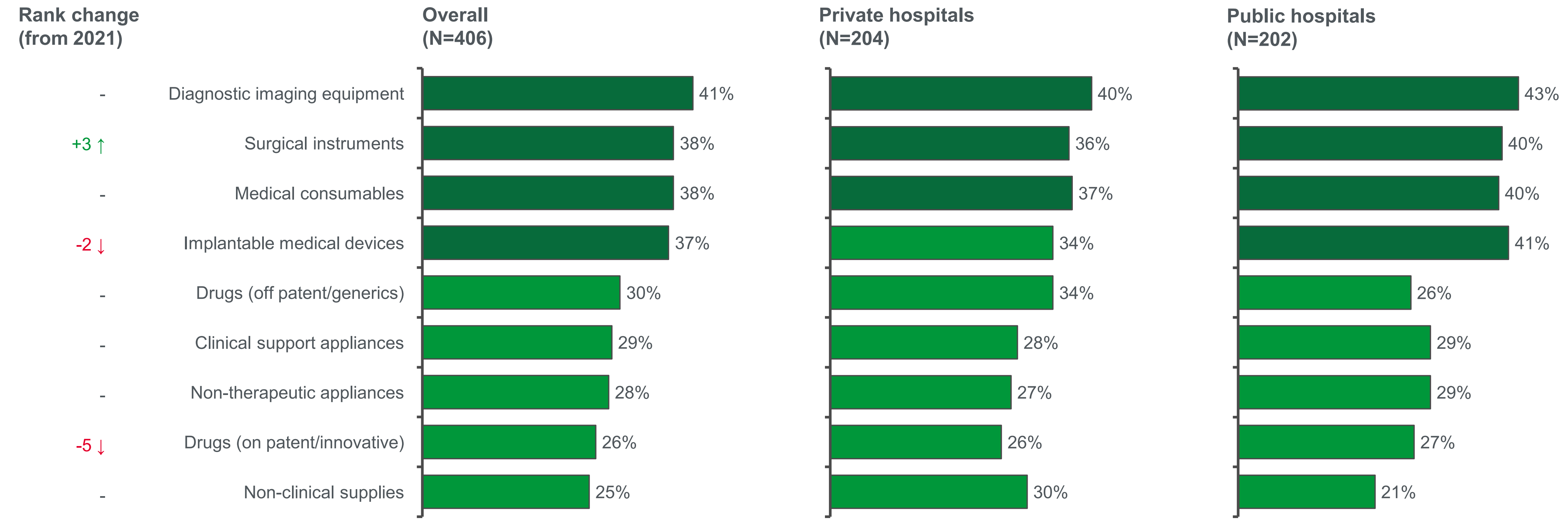
Operational enhancement: Hospitals are looking to standardise purchasing for diagnostic imaging equipment; standardising surgical instruments supply has also garnered greater interest

Overall top 3 rank

Type of medical supplies that hospitals are looking to standardise*

Percentage of respondents



*Survey question: ‘Please select top 3 medical supplies/equipment that your hospital is looking to standardise the purchasing of.’

Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

Care enhancement: As hospitals recover from COVID-19 impact, priorities are shifting from building free-standing outpatient centres and home health services to building core infrastructures

2 Strategic priorities

Alternative sites of care that hospitals will work with/invest in during the next 3 years*
Percentage of respondents who ranked the respective site as top 3

Top 2 rank

Rank (2022)	Alternative sites	Overall (N=406)	China (N=120)	Japan (N=76)	South Korea (N=25)	Australia (N=45)	Singapore (N=10)	India (N=60)	Thailand (N=40)	Indonesia (N=30)	Rank change (from 2021)
#1	Diagnostic imaging centres	**37%**	**47%**	13%	0%	**44%**	**50%**	**50%**	**45%**	33%	+4 ↑
#2	Rural health clinics	**35%**	**46%**	**20%**	44%	**38%**	30%	28%	**45%**	20%	+6 ↑
#3	Skilled nursing facilities (SNFs)	**35%**	39%	8%	**56%**	36%	30%	37%	**43%**	**57%**	+6 ↑
#4	Satellite emergency centres/ departments	30%	33%	8%	**48%**	20%	10%	42%	**43%**	**37%**	-
#5	Free-standing outpatient primary care clinics	23%	35%	12%	16%	27%	30%	25%	5%	27%	-2 ↓
#6	Home health services	21%	16%	**32%**	36%	13%	20%	17%	30%	10%	-4 ↓
#7	Free-standing specialist outpatient centres	20%	22%	18%	16%	20%	**40%**	8%	25%	30%	-6 ↓

*Survey question: 'Please select top 3 alternative sites of care that your hospital is looking to pursue over the next 3 years.'
Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

Over 20% of APAC hospitals are using digital solutions to improve operational efficiencies and increase patient satisfaction; EMR is the top digital solution adopted

Digitalisation and innovation

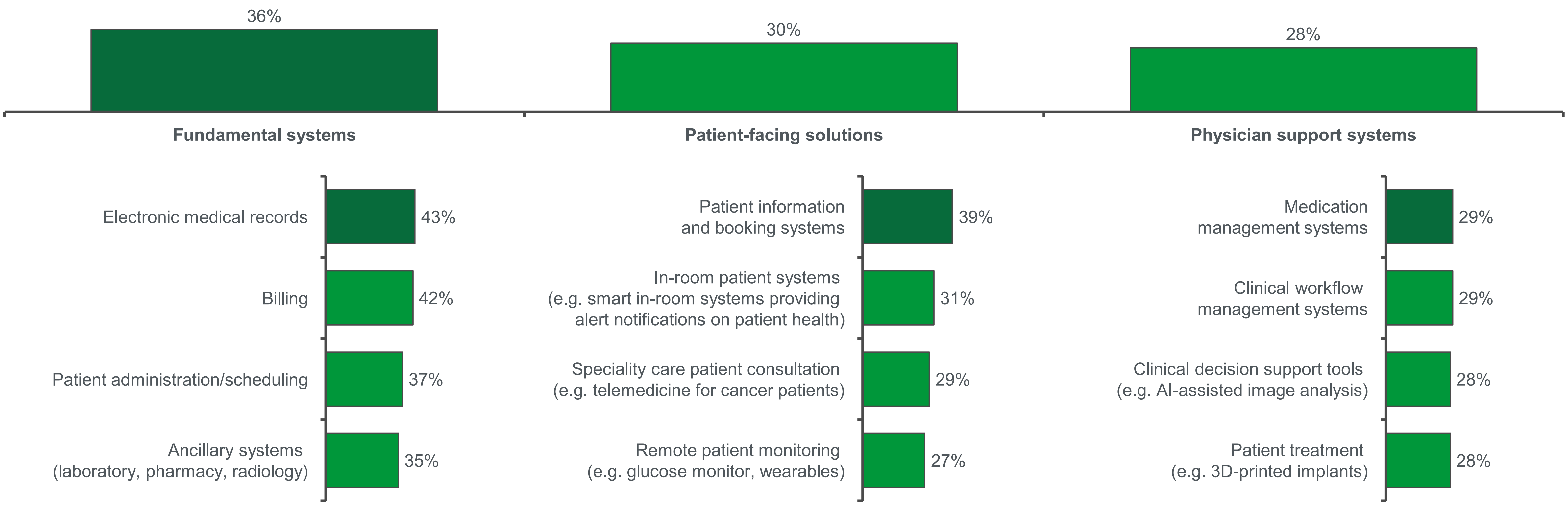
- Hospitals are noting that the value of digital health goes beyond increasing revenue streams to improving operational efficiencies and increasing patient satisfaction
- Overall, electronic medical records (EMR), patient information and medication management systems are the top digital solutions being adopted
- Across most of APAC, over 20% of hospitals are using these digital solutions as part of standard care/administrative purposes
- However, there are concerns over patient data privacy and incompatibility between digital solutions
- Japan has been leading in the adoption of fundamental systems (e.g. EMR) but remains conservative in using patient-facing solutions and patient support systems

Source: L.E.K. 2022 APAC Hospital Priorities Survey; L.E.K. research and analysis

Overall, EMR, patient information and medication management systems are the top digital solutions being adopted; hospitals have been focusing on building the proper back-end IT systems

Adoption of digital solutions*

Percentage of respondents ‘currently using’ digital solutions



*Survey question: ‘Digitalisation of hospitals is gaining traction in many countries. What digital health solutions have you adopted/would you like to adopt?’ Respondents who answered that the hospital is ‘currently using’ each digital solution.

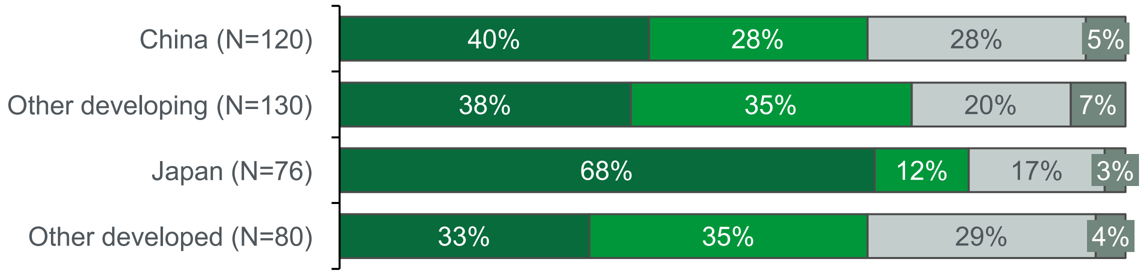
Source: L.E.K. 2022 APAC Hospital Priorities Survey

Across most APAC markets, 20%-40% of hospitals are using back-end IT systems; Japan is taking the lead with over 65% of hospitals adopting EMR systems

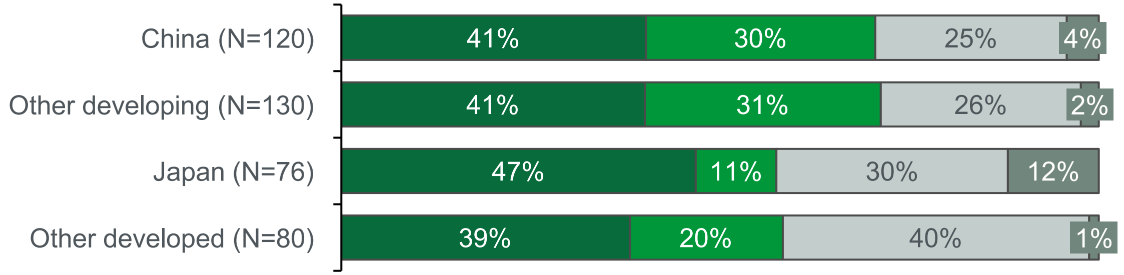
Adoption of fundamental systems*

Percentage of respondents

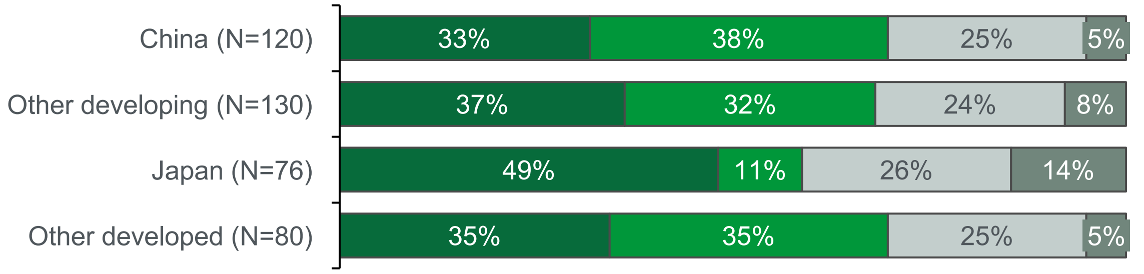
Electronic medical records



Billing

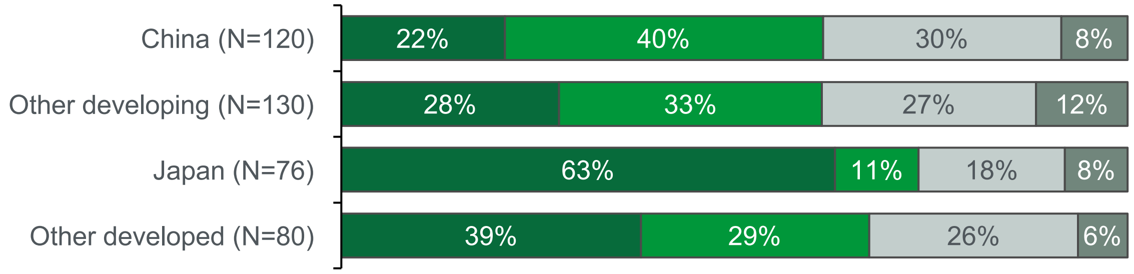


Patient administration/scheduling



Ancillary systems

(e.g. laboratory systems, radiology information systems)



Currently using | Trialling | Interested, exploring how this can be adopted | Not a priority

*Survey question: 'Digitalisation of hospitals is gaining traction in many countries. What digital health solutions have you adopted/would you like to adopt?' Other developed markets include South Korea, Australia and Singapore. Other developing markets include India, Indonesia and Thailand.

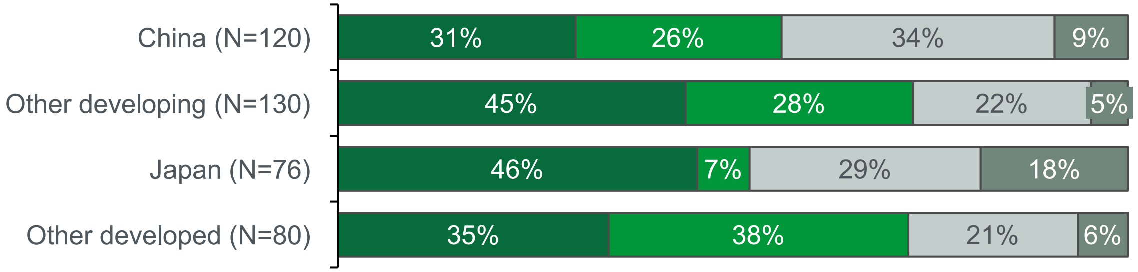
Source: L.E.K. 2022 APAC Hospital Priorities Survey

While across most hospitals in APAC, over 20% are currently using patient-facing digital solutions, Japan is noted to be conservative in adoption of these tools

Adoption of patient-facing digital solutions*

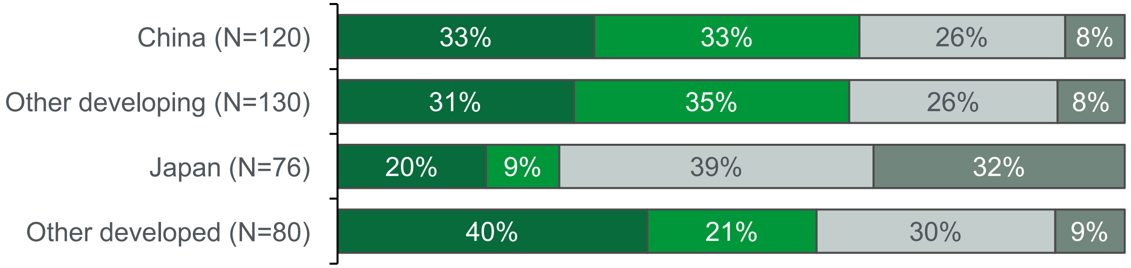
Percentage of respondents

Patient information and booking systems



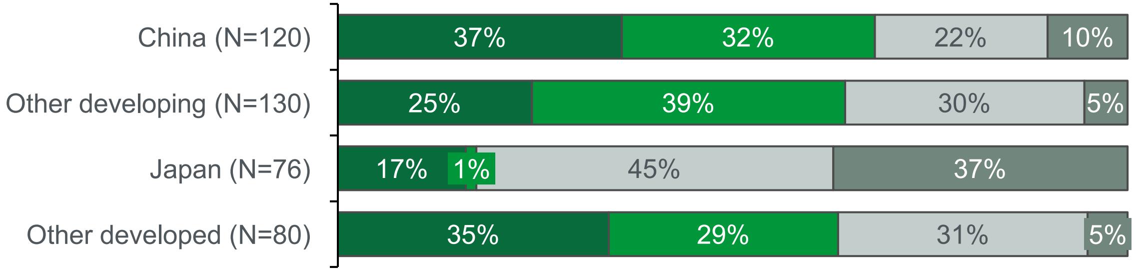
In-room patient systems

(e.g. smart in-room systems providing alert notifications on patient health)



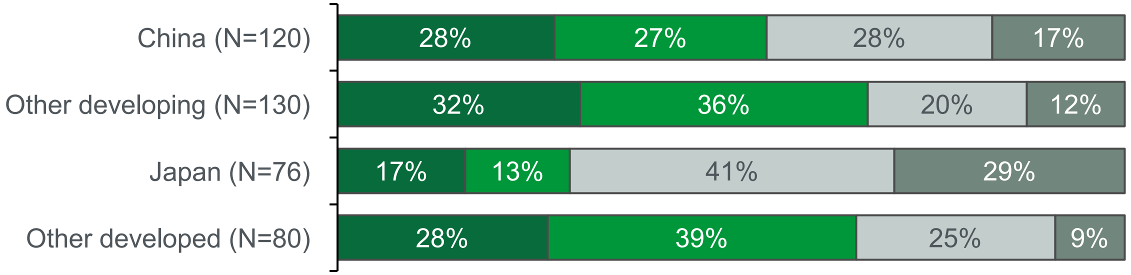
Speciality care patient consultation

(e.g. telemedicine to offer speciality consultation to cancer patients)



Remote patient monitoring

(e.g. glucose monitor, heart rate monitor)



Currently using | Trialling | Interested, exploring how this can be adopted | Not a priority

*Survey question: 'Digitalisation of hospitals is gaining traction in many countries. What digital health solutions have you adopted/would you like to adopt?' Other developed markets include South Korea, Australia and Singapore. Other developing markets include India, Indonesia and Thailand.

Source: L.E.K. 2022 APAC Hospital Priorities Survey

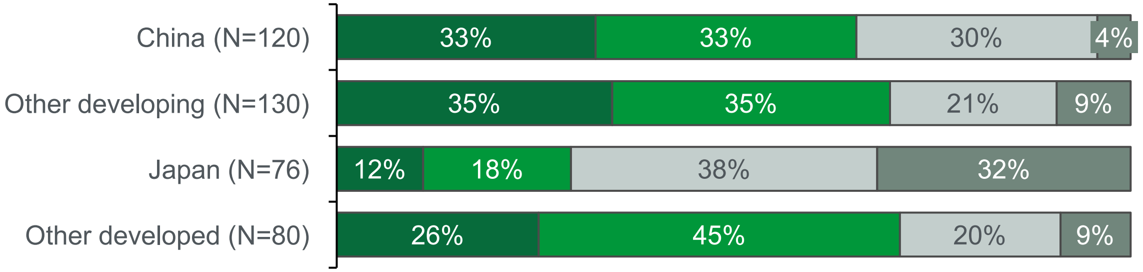
On average, 25%-35% of hospitals in most of APAC are using physician support systems to improve patient outcomes; Japan, however, consistently has lower adoption

Adoption of physician support systems digital solutions*

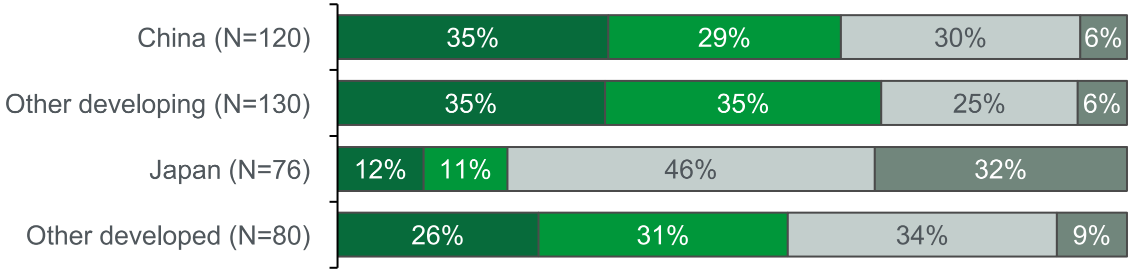
Percentage of respondents

Medication management systems

(e.g. automated system for medicine supply)

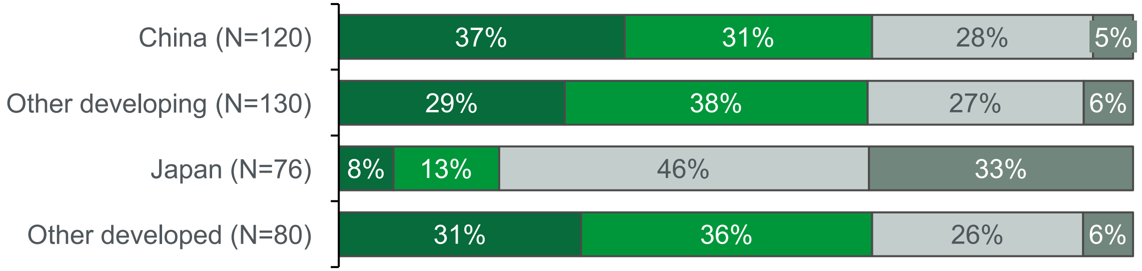


Clinical workflow management systems



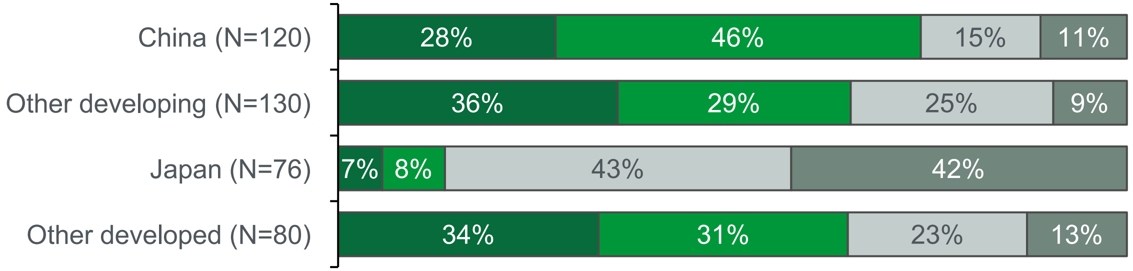
Clinical decision support tools

(e.g. AI-assisted image analysis)



Patient treatment

(e.g. 3D-printed implants)



Currently using | Trialling | Interested, exploring how this can be adopted | Not a priority

*Survey question: 'Digitalisation of hospitals is gaining traction in many countries. What digital health solutions have you adopted/would you like to adopt?' Other developed markets include South Korea, Australia and Singapore. Other developing markets include India, Indonesia and Thailand.

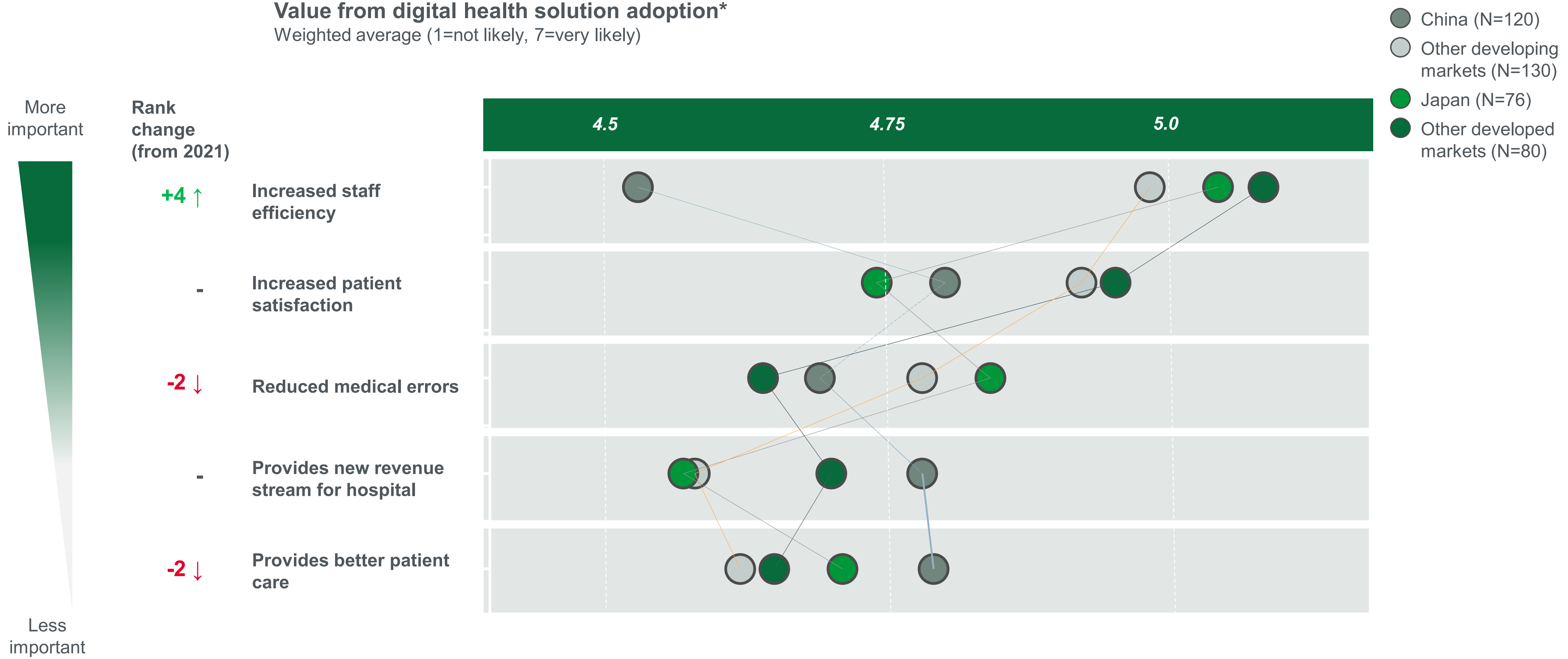
Source: L.E.K. 2022 APAC Hospital Priorities Survey

Most countries expect to increase staff efficiency/capacity and increase patient satisfaction with the adoption of digital health solutions; this is a shift in focus from reducing medical errors

3 Digitalisation and innovation

Value from digital health solution adoption*

Weighted average (1=not likely, 7=very likely)



*Survey question: 'What value do you think digital health solutions will likely bring about for your hospital? ("1"=not likely, "7"=very likely)'. Other developed markets include South Korea, Australia and Singapore. Other developing markets include India, Indonesia and Thailand.

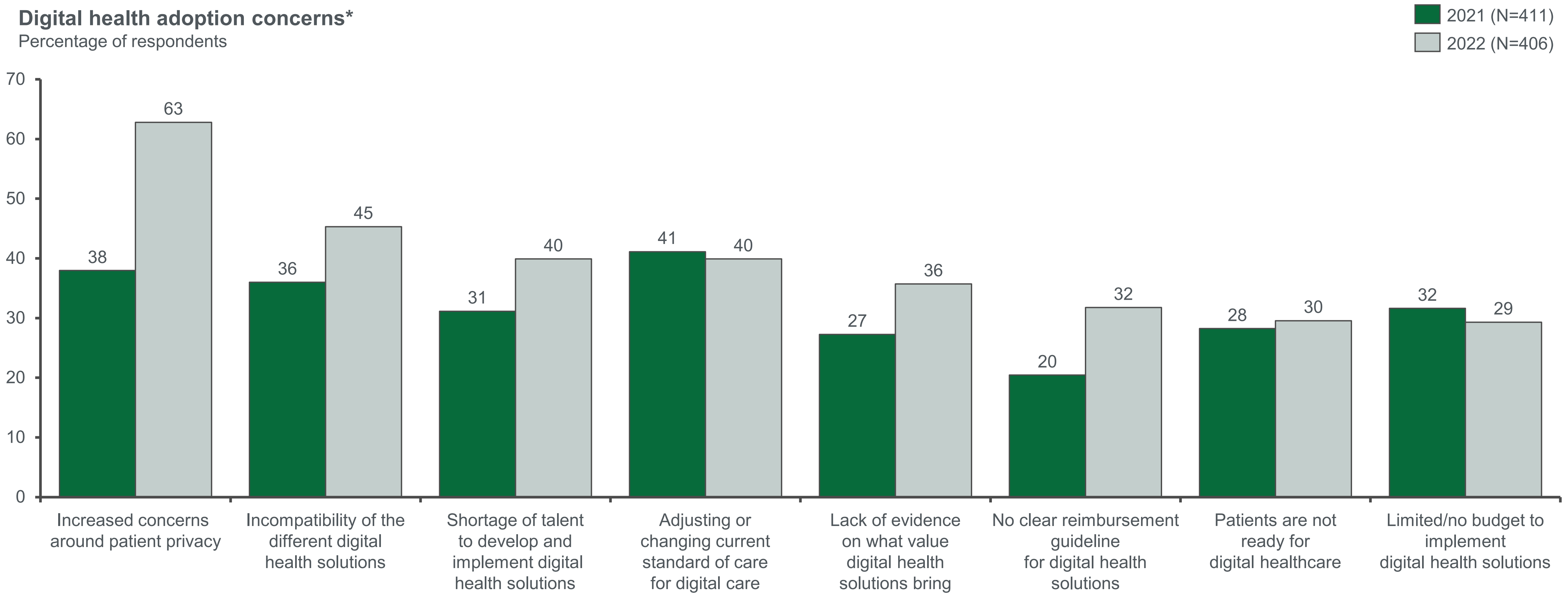
Source: L.E.K. 2021 and 2022 APAC Hospital Priorities Surveys

With increasing digital adoption, concerns around patient privacy and incompatibility between digital solutions are growing

3 Digitalisation and innovation

Digital health adoption concerns*

Percentage of respondents



*Survey question: 'What are your concerns for digital health adoption?'
Source: L.E.K. 2022 APAC Hospital Priorities Survey

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